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Argentina

Poultry and Products

Annual

2000

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Report Highlights:

Argentine poultry production for 2001 is forecast at 895,000 metric tons, unchanged from the previous year, but slightly lower than the record high 1999. The economic recession, overproduction, and large imports of inexpensive broilers from Brazil have hurt the sector. Negative returns are expected to change by the end of 2000, but some companies could have to sell out before then, forcing greater concentration. Both imports and exports are expected to remain at fairly similar levels to the past couple of years.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1], AR

Production	1
Consumption	2
Trade	2
Tariffs and Rebates	3
SECTION II. STATISTICAL TABLES	4

SECTION I. SITUATION AND OUTLOOK

Production

Argentine total poultry production for 2001 is projected at 895,000 MT, the same as the previous year, but lower than the record high level of 1999. The two-year long economic recession, the importation of inexpensive broilers from Brazil and local overproduction have hurt the profitability of the sector. Domestically produced broilers account for more than 97 percent of Argentina's total poultry supply.

Although the leading poultry processors have reduced production costs dramatically in the past few years, primarily as result of strong investments and low grain and oilseed prices, most of them are in a delicate financial situation. The current average cost of production is about \$0.93 per kilo of broiler, which totals approximately \$1 per kilo when overhead and distribution costs are added. The current price ex-plant is \$1.03 per kilo. However, due to the need of lower costs, practically all processors are owing large sums of money of equipment and machinery they have purchased in the recent past, adding a financial cost to their operation.

There are about 40 poultry companies in Argentina. The six largest account for a little less than 50 percent of the market. However, under the current delicate situation the sector is in, most sources see a trend to a larger concentration. The most inefficient and financially weak companies will be taken by the stronger ones. A few months ago, the largest company of the sector announced that its situation was very weak and since then has lowered production. The small processors, which normally have slower lines of production, are practically at 100 percent of their capacity (in one shift), but the larger ones, with equipment of 8,000 head an hour, are working at 85 percent capacity in one shift.

With stable domestic production, controlled imports and an expected economic rebound, most sources expect to see a better situation in 2001. Wholesale prices are expected to strengthen somewhat in the last part of 2000 and in most of 2001.

Both quality and production efficiency continues to improve. Nowadays, local processors take around 50 days to finish a 2.75-kilo live broiler which weigh 2.22 kilos dressed-out. Daily gains are at the level of 53 grams. Corn and soybeans and their pellets make for about 80/85 percent of the feed ration.

The government does not give the industry any production subsidies or price support.

Consumption

Broiler domestic consumption is forecast at 900,000 MT in 2001, practically unchanged from the previous two years. Domestic demand, after almost tripling in the last decade, would seem to have reached a level in which it will stay for a while. Although very difficult to explain, beef consumption grew in the first half of 2000 with stable retail prices, while consumption of broilers remained unchanged with retail prices declining every month. This clearly shows that consumers have put a limit to broiler consumption even if the price differential against other meats improves, even an despite recession. Historically, the price of a kilo of short ribs and a kilo of broiler was about the same. However, in 2000, for the first time, you could get two kilos of broiler for every kilo of short ribs. Some people attribute this situation to the improved quality of beef, its marketing, although limited, and to the fact that many consumers believe broilers have hormones and are not as healthy as most think.

The following table shows the variation of average retail prices of beef (short ribs) and broilers in the past six years:

Year	Broiler \$/Kg	Beef \$/Kg	Beef/Broiler
1995	2.40	3.66	1.52
1996	2.47	3.62	1.46
1997	2.49	3.79	1.52
1998	2.38	4.55	1.91
1999	2.07	4.11	1.99
2000*	1.95	3.98	2.04

* Average Jan/July

Total poultry meat per capita consumption in 1999 was 26 kilos and 68 kilos of beef. Pork consumption is stable at about 8 kilos per capita, of which less than 1 kilo is consumed fresh.

Trade

Argentine poultry exports for 2001 are forecast at 19,000 MT, unchanged from the previous year. The low profitability of the sector, processors' financial difficulties and the super competitive world market are the reasons for limited exports. Most exports are expected to be by-products and some products for niche markets. Based on the structure of the world market, where there are significant distortions, Argentine exporters are now analyzing the market for specialty products (apart from by-products) rather than broilers as a commodity. Exports of organic poultry products is a good example of this.

Poultry exports in the first five months of 2000 were 6 percent higher than in the same period last year. In 1999, exports totaled 17,000 MT, of which 13,700 MT were chicken claws (mainly to China and South East Asia) and

the balance meat (mainly to Germany and the Netherlands). Argentina exports approximately 1,000 MT of boneless breasts to the EU under the GATT quota which several countries can make use. Total exports in 1999 were \$11.7 million, of which 38 percent went to China and 33 percent to Germany.

Argentine total poultry imports for 2001 are projected at 49,000 MT, slightly lower than the previous two years. The main reason is the minimum import price the GOA set on Brazilian imports as from July 2000 because of "disloyal trade practices". This is a result of an antidumping case filed by the local chamber of poultry processor against Brazilian export prices which were significantly lower than their domestic prices. Poultry trade between the two major Mercosur partners, Brazil and Argentina, has been very controversial in the past decade. A few years ago, producers of both countries had agreed upon an import quota for Argentina which represented 7 percent of the total local production. From September 1999 through February 2000, with no agreement in practice, Brazilian exports to Argentina began to increase significantly, reaching levels of 5/7,000 MT per month. Local producers claimed before the local justice and a quota of about 3,700 MT per month of whole broilers was set. In late July, the GOA announced, after studying the case a couple of years, that Brazilian imports of whole broilers (not parts) now have minimum import prices of \$0.92/0.98 per kilo and the quota was left without effect. However, some traders report that Brazilians are now cutting the whole broilers in four and exporting them as parts, thus avoiding the minimum price.

Imports in the first five months of 2000 were running 21 percent higher than the same period a year ago. However, sources expect for the rest of the year a significant reduction as a result of the July anti-dumping measure. Total poultry imports in 1999 were 54,000 MT with a value of \$57 million. Of the total value, approximately 93 percent were frozen whole broilers and parts of which 97 percent came from Brazil. Frozen turkey products represented 6 percent of which 52 percent came from Brazil and 42 percent from Chile. Imports from the United States totaled \$66,000, of which half were frozen hind quarters and the balance were chicken and turkey preparations. The major poultry importers were the subsidiary of a Brazilian large processor and a major local supermarket chain.

US poultry products are permitted in Argentina. However, currently there are a few commercial factors which discourage local traders to source product from there. The first one are Brazilian inexpensive products. FOB prices for frozen hind quarters are approximately \$0.85 per kilo, while from the US it is \$0.75 per kilo (\$0.34 per pound). Traders report that for the U.S. to be competitive, prices should be closer to \$0.25/0.27 per pound. Secondly, imports outside Mercosur pay 13 percent duty plus a 0.5 percent of statistical tax, while trade among members is duty free.

Tariffs and Rebates

Import duties outside the Mercosur region are 13 percent for frozen or fresh poultry products and 19 percent for poultry meat preparations. There are no tariffs on poultry trade within Mercosur. Export rebates are 5.4 percent for whole broilers, and for products weighing less than 2 kilos and ready for consumption are 8.1 and 10 percent.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	Argentina					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	2	2	6	7	4	7
Production	895	910	860	895	0	895
Whole, Imports	50	45	48	42	0	41
Parts, Imports	7	9	15	8	0	8
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	57	54	63	50	0	49
TOTAL SUPPLY	954	966	929	952	4	951
Whole, Exports	1	1	2	2	0	2
Parts, Exports	19	16	20	17	0	17
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	20	17	22	19	0	19
Human Consumption	928	942	903	926	0	927
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	928	942	903	926	0	927
TOTAL Use	948	959	925	945	0	946
Ending Stocks	6	7	4	7	0	5
TOTAL DISTRIBUTION	954	966	929	952	0	951
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

PSD Table						
Country	Argentina					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001

	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	2	2	6	6	4	6
Production	870	885	835	870	0	870
Whole, Imports	50	45	48	41	0	40
Parts, Imports	5	8	12	8	0	8
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	55	53	60	49	0	48
TOTAL SUPPLY	927	940	901	925	4	924
Whole, Exports	1	1	2	2	0	2
Parts, Exports	19	16	20	17	0	17
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	20	17	22	19	0	19
Human Consumption	901	917	875	900	0	900
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	901	917	875	900	0	900
TOTAL Use	921	934	897	919	0	919
Ending Stocks	6	6	4	6	0	5
TOTAL DISTRIBUTION	927	940	901	925	0	924
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Argentina		
Commodity	Poultry, Meat, Total		
Time period	1999	Units:	MT
Imports for:			1

U.S.	51	U.S.	
Others		Others	
Brazil	53719		
Chile	628		
Spain	29		
Uruguay	22		
France	18		
Italy	8		
Israel	2		
Portugal	1		
Total for Others	54427		0
Others not Listed			
Grand Total	54478		0

Export Trade Matrix			
Country	Argentina		
Commodity	Poultry, Meat, Total		
Time period	1999	Units:	MT
Exports for:			1
U.S.		U.S.	
Others		Others	

China	10799		
Hong Kong	3090		
Germany	1236		
South Africa	356		
Chile	323		
Qatar	220		
Kuwait	176		
Netherlands	175		
Russia	119		
Uruguay	38		
Total for Others	16532		0
Others not Listed	232		
Grand Total	16764		0

Prices Table			
Country	Argentina		
Commodity	Poultry, Meat, Total		Broilers
Prices in	Pesos	per uom	Kilo
Year	1999	2000	% Change
Jan	2.23	2.11	-5.38%
Feb	2.09	2.03	-2.87%
Mar	2.17	1.99	-8.29%
Apr	2.09	1.92	-8.13%

May	2.06	1.94	-5.83%
Jun	2.04	1.87	-8.33%
Jul	2.02	1.82	-9.90%
Aug	1.98		-100.00%
Sep	1.99		-100.00%
Oct	2.05		-100.00%
Nov	2.01		-100.00%
Dec	2.05		-100.00%
Exchange Rate	1=1	Local currency/US \$	